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State Dept. review completed

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4. BRITISH FOREIGN OFFICE VIEWS ON YEMEN-ADEN SITUATION

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[Redacted]

The British Foreign Office is disturbed over the extent of the Yemeni propaganda campaign alleging British aggression across the Aden border. Britain is "urgently" trying to start a joint inspection of the Yemen-Aden frontier area which has been under discussion with Yemeni representatives in London since early December, according to the American embassy there. Foreign Office officials minimize the extent of the actual fighting in progress.

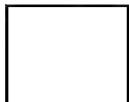
The Foreign Office is also considering asking for a UN fact-finding or boundary demarcation mission. London fears, however, that submitting the question to the UN might benefit only the Asian-African bloc or lead to unworkable procedures for adjudicating the border dispute.

Comment

Under present tensions, the prospects appear very slim for reaching a settlement of the border dispute either by direct negotiation or under UN auspices. The British evidently consider they must make some public gesture toward such negotiations, however, in order to offset the effect of Yemeni, Egyptian, and Soviet propaganda. Meanwhile, there are indications that British military operations in the disturbed area are more extensive than London's guarded statements reveal.

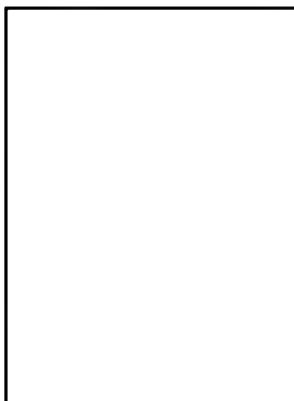
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5. SITUATION IN INDONESIA

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The withdrawal from the Indonesian cabinet of the small Moslem party PERTI on 15 January may provide the impetus for further defections from a regime which now has lost three of its eight participants. Other minor members which are considering withdrawal are one Moslem and two Christian par-

ties.

President Sukarno, presumably anticipating further defections, is said to be planning the formation soon of a "revolutionary council" under his leadership to which the cabinet would be responsible. This council would implement his proposal of a "guided democracy" and permit him almost unlimited control over the government.

The Communist Party, which now has about 16 percent of the seats in parliament, has demanded proportional representation in any new cabinet. Sukarno would be likely to press for leftist or Communist participation in the cabinet in order to realize "national unity!" He may also insist on Communist participation in his "revolutionary council!"

Meanwhile, in the Celebes, preparations are reportedly being made to proclaim the central Celebes area an "autonomous province." Efforts by the Djakarta government to resume normal relations with the three Sumatran provinces continue to be ineffective.

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~ 6. YUGOSLAVS SUPPORT KADAR REGIME

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[Redacted]

Several recent actions by the Yugoslav government indicate that it intends to support the Kadar regime in Hungary for the present. On 11 January, a Yugoslav spokesman announced that a \$2,000,000 credit and "certain facilities in mutual trade exchange" had been granted at the recent request of the Hungarian government. He said Hungarian-Yugoslav relations were "normal" and implied that Belgrade was no longer pressing the issue of the Soviet abduction of ex-premier Nagy last November.

A new Yugoslav ambassador is about to depart for Budapest, a post vacant since shortly after the Nagy kidnaping, and Hungary has named a new man for its post in Belgrade, vacant since late October. The Belgrade press gave tentative acceptance to the program outlined by Premier Kadar on 6 January, despite its heralding of impending harsh policies and close allegiance to Moscow.

Most Yugoslav Communist leaders probably recognize that only a harsh program by Kadar will maintain Communism in Hungary at present, even though this view conflicts with Vice President Kardelj's speech on 7 December, with its implied condemnation of the Kadar regime and its extolling of the workers' councils as the only true socialist force in Hungary. The Yugoslavs may feel that eventually a more liberal regime can evolve in Hungary.

Belgrade's attitude toward Hungary may also be in part designed to counter the Soviet bloc ideological criticisms of the Yugoslavs as "revisionists." [Redacted]

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